

Section 2

E-Filing Required for Large Corporations (Form 1120)

Electronic Filing Required for Large Corporations

For the tax year 2005 returns that are due in 2006, IRS regulations will require some corporations to file their income tax returns using the Modernized e-File system.

- The new regulations will require corporations with assets of \$50 million or more who also file at least 250 returns a year to file Forms 1120 and 1120S electronically for tax years ending on or after December 31, 2005. The requirements will apply to corporations with assets of \$10 million or more for tax years ending on or after December 31, 2006.
- The 250-return threshold is a legal requirement and includes employment and excise tax returns as well as information returns, such as Form W-2.
- There are no current plans to make e-file mandatory for corporations with assets under \$10 million or for corporations that file specialized forms, for example, Forms 1120REIT, 1120RIC, 1120F, or 1120L.
- The Commissioner may grant hardship waivers from the e-file requirements in extraordinary circumstances. The IRS will provide additional guidance that sets forth the procedures for requesting a hardship waiver after receiving public comments.

The Modernized e-File (MeF) system is a new, state-of-the-art platform that allows corporations to file Forms 1120 and 1120S electronically.

- The Modernized e-File system was launched in February 2004 and currently includes all forms and schedules needed by Form 1120 and 1120S filers.
- MeF provides the ability to e-file complex, consolidated returns, including attachments and multiple subsidiaries and foreign entities. For example, the new Schedule M-3 was finalized in July 2004 and is included in MeF as an attachment to tax year 2004 Forms 1120.
- MeF uses Extensive Markup Language (XML) technology. E-filed returns will be processed as they are received rather than in batches. Filers will receive a prompt electronic acknowledgement.
- The system also includes an integrated payment option. Corporations can e-file a balance due return and, at the same time, authorize an electronic funds transfer.

The Modernized e-File system provides important benefits to Forms 1120 and 1120S filers.

Section 2

E-Filing Required for Large Corporations (Form 1120)

- Tax information will be secure. Only authorized users have access to the system. Corporate filers will have the option of filing their returns directly with the IRS using the Internet.
- MeF will be completely paperless. Taxpayers will be able to attach scanned documents to the return. Taxpayers will be able to “sign” their electronic return.
- If Forms 5471 and 5472, reporting international transactions, are filed electronically, taxpayers will no longer have to file a duplicate copy in Philadelphia.
- E-filed returns are more accurate and any error message will be in plain language and easy to understand.

Although taxpayers affected by these new e-filing requirements employ the services of tax professionals and software providers who can help them, questions can be directed to the IRS via email.

- Corporate taxpayers (Forms 1120, 1120S) may email questions to: largecorporate@irs.gov.
- E-file software developers and vendors may email questions to: 1120@irs.gov.